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Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 EB-04 RSC-01 /018 W
---------- 039501
R 081648Z NOV 74
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 5496

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E.O. 11652: N/A
TAGS: ETRD, BEXP, EAIR, UK
SUBJ: PRODUCT OPPORTUNITY - HS 146 PROGRAM
REF: LONDON 13928

1. UKG REMAINS OPPOSED TO HAWKER-SIDDELEY'S CANCELLATION OF HS-146 AIRCRAFT PROJECT. GOVERNMENT POSITION WAS MADE CLEAR BY INDUSTRY SECRETARY BENN DURING COMMONS DEBATE NOV. 4. BENN SAID UKG DID NOT AGREE WITH HAWKER-SIDDELEY CONCLUSION THAT AIRCRAFT PROJECT NOT VIABLE AND IT CONSIDERED COMPANY TO BE IN BREACH OF ITS JOINT FUNDING CONTRACT WITH GOVERNMENT FOR HS-146 DEVELOPMENT PROGRAM. HE ALSO TOLD COMMONS THAT COMPANY HAD REFUSED TO PARTICIPATE IN THE TRI-PARTITE TALKS WITH UKG AND LABOR UNIONS TO DISCUSS POSSIBLE TERMS UNDER WHICH PROJECT MIGHT COMPRESSING FOR BILATERAL TALKS BETWEEN UKG AND HAWKER SIDDELEY ON ONE HAND AND BETWEEN UKG AND LABOR UNION REPS ON THE OTHER TO TRY TO WORK OUT SOME DEAL THAT WOULD SAVE THE PROJECT, BUT, BENN SAID, HE COULD OFFER NO ASSURANCE TO HS-146 WORKERS THAT THEIR JOBS WOULD BE SAFEGUARDED.

2. WE HAVE HEARD FROM SEVERAL WELL-PLACED SOURCES THAT THERE IS CONSIDERABLE "MANUEVERING" GOING ON AMONG GOVERNMENT, UNIONS AND COMPANY AND THERE APPEARS TO BE INCREASING REALIZATION ON PART OF ALL THREE THAT BRITISH AIRCRAFT INDUSTRY IS IN DESPARATE NEED OF NEW CIVIL PROJECT SUCH AS HS-146 AS OLDER PROJECTS APPROACH END OF THEIR PRODUCTION. WE WOULD GUESS THEREFORE THERE IS STILL
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REASONABLE CHANCE THAT HS-146 PROJECT MAY BE SAVED. TERMS

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UNDER WHICH PROJECT MIGHT CONTINUE, OF COURSE, STILL UNKNOWN BUT COULD VERY WELL ENTAIL STRETCH-OUT OF DEVELOPMENT PROGRAM SO AIRCRAFT WOULD COME ONTO THE MARKET IN 1977 OR 78 INSTEAD OF 1976 AS ORIGINALLY PLANNED, UNDERTAKING BY WORKER REPS TO MODERATE WAGE CLAIMS WHILE PROJECT UNDER DEVELOPMENT, AND AGREEMENT ON PART OF GOVERNMENT TO SHOULDER GREATER SHARE OF COST INCREASES DUE TO INFLATION.

3. IN VIEW OF IMPORTANT STAKE AVCO-LYCOMING HAS IN HS-146 PROJECT, WE BELIEVE COMPANY SHOULD CONSIDER SENDING FAIRLY HIGH-LEVEL TEAM TO LONDON TO REVIEW WITH UKG IN GREATER DETAIL THAN POSSIBLE DURING BARTOS VISIT (LONDON 13848) MARKET PROSPECTS FOR HS-146 AND TERMS UNDER WHICH AVCO-LYCOMING WOULD BE PREPARED TO CONTINUE WITH PROJECT.

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